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February 17, 2009

AGENDA ITEM 4c

TO: MEMBERS OF THE INVESTMENT COMMITTEE

I. SUBJECT: Update on the General Pension Consultant Services Spring-Fed Pool Request for Proposal

II. PROGRAM: CalPERS Total Fund

III. RECOMMENDATION: Information

IV. ANALYSIS:

This agenda item provides an update on the General Pension Consultant Services Spring-Fed Pool Request for Proposal (RFP) process.

On September 15, 2008, the Investment Committee approved the initiation of a competitive solicitation for the creation of a General Pension Consultant Spring-Fed Pool. Staff issued the General Pension Consulting Services RFP on November 25, 2008 with a final filing deadline of January 21, 2009.

Prior to the release of the General Pension Consulting Services RFP, staff made concerted efforts to solicit proposals from a wide range of investment consultants, as follows:

- Advertised the General Pension Consultant RFP in the California Contracts Register and "*Pensions and Investments*" investment journal,
- Notified the Investment Office Diversity Consultants (Mosaic Investment Advisors and Altura Capital Group) prior to the release of the General Pension Consultant RFP to encourage a broad array of proposal submissions, and

- Prepared a bidders list that included consultants of varying sizes and investment specialties and utilized the Altura Capital Group database for emerging managers to assist in developing the bidders list.

Since conducting the last competitive solicitation in 2004, staff made changes to the Spring-Fed pool requirements. As a result, CalPERS received seventeen (17) proposals by the January 21, 2009 final filing deadline compared to eight (8) proposals in 2004. The changes were as follows:

- Developed six (6) service areas to increase the potential of receiving proposals from a higher number of firms in various investment specialties, and
- Revised the minimum qualifications of operating history of the proposers and the experience of their key personnel in providing consultant services to institutional funds clients.

Currently, the technical proposals are being reviewed and scored by an evaluation committee consisting of CalPERS staff. See schedule, Attachment 1.

At the March 16, 2009 Investment Committee meeting, staff will present the ranked list of successful proposers for committee review. At that time, the Investment Committee will determine if it will conduct interviews with the successful proposers.

At the April 20, 2009 Investment Committee meeting, the committee will select the consultants to be awarded contracts within the Spring-Fed pool. The contracts will have a start date of July 1, 2009.

V. STRATEGIC PLAN:

1. Goal VIII, manage the risk and volatility of assets and liabilities to ensure sufficient funds are available, first, to pay benefits, and second, to minimize and stabilize contributions.
2. Goal IX, achieve long-term, risk-adjusted returns.

VI. RESULTS/COSTS:

The current budgeted amount for the General Pension Consultant Spring-Fed Pool is \$1,200,000 annually. However, until the composition of the pool is known, an amount cannot be estimated.

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